

## *Management's Discussion and Analysis – TAKARA RESOURCES INC.*

### *First Quarter Ended March 31, 2008*

**Dated: May 30, 2008**

#### **Introduction**

The following is management's discussion and analysis of the financial condition and results of operations of Takara Resources Inc. (the "Company" or "Takara") for the third quarter ended March 31, 2008. This discussion and analysis should be read in conjunction with the unaudited interim consolidated financial statements for the period ended March 31, 2008 and the related notes thereto.

#### **Nature of Operations**

Prior to the closing of its qualifying transaction on September 24, 2007, the Company was a capital pool company, whereby its principal business was to identify, evaluate and acquire assets or businesses that would constitute a "Qualifying Transaction" pursuant to the policies of the TSX Venture Exchange Inc. (the "Exchange"). In accordance with an Amended and Restated Arrangement Agreement, made as at August 1, 2007, the Company closed its Qualifying Transaction on September 24, 2007 by acquiring all of the issued and outstanding securities of Takara Resources (B.C.) Inc. (formerly named Takara Resources Inc. and 0754545 B.C. Ltd), a private company carrying on business as a mineral exploration company. Accordingly, on September 24, 2007, Takara Resources (B.C.) Inc. became a wholly owned subsidiary of the Company, and the consolidated financial statements for the first quarter ended March 31, 2008 include activities of the Company and of Takara Resources (B.C) Inc.

Takara Resources (B.C.) Inc. was incorporated on April 11, 2006 and its key project is the Kaibab Joint Venture, where Takara and its joint venture partner, DIR exploration, Inc. ("DIR"), an Arizona Private corporation, have been active in uranium breccia pipe exploration since the late summer of 2006 in the Arizona Strip - situated in the northwestern portion of Arizona. During the Phase I program, which was completed at the end of August 2007, the number of lode mining claims increased from 48 to over 500. The Company is now carrying out Phase II of the Kaibab Joint Venture program, which is designed to refine up to 30 geological targets for further testing in subsequent rotary downhole hammer and spot coring campaigns.

Additionally, the Company has begun Phase I of its exploration program (preliminary survey work) in respect of its Basket Lake uranium project located in northwestern Ontario.

#### **Selected Quarterly Information as at March 31**

|   | <b>March 31, 2008</b> |
|---|-----------------------|
| <b>Total revenues</b>                       | \$Nil                 |
| <b>Net income (loss)</b>                    | \$(128,184)           |
| <b>Basic and diluted net loss per share</b> | \$(0.004)             |

#### **Results of Operations**

As at March 31, 2008, the Company reported a net loss of \$128,184. Given that the reverse take over was effected on September 24, 2007, there are no comparative figures for the same quarter in the year prior.

#### **Revenues**

The Company has no cash income, other than from interest income generated primarily from private placements funds, and accordingly, this amount will fluctuate, depending on the time of year that the Company completes its private placement financings. This income is virtually offset by interest charges and ongoing bank charges.

## **Non-Exploration Expenditures**

General and administration expenses (Operating expenses) totaled \$128,184 as at March 31, 2008. Other than management (\$31,500), and professional fees (\$40,050) the other larger cost item is travel (\$24,697). Most of the travel costs during the first quarter ended March 31, 2008 were allocated to sourcing opportunities for coal projects in South Africa, and mineral conferences.

## **Exploration Activities and Expenditures**

Kaibab Joint Venture – Uranium Breccia Pipes, Arizona. Highlights from the Kaibab Joint Venture include sampling and the acquisition of additional targets prospective for uranium bearing breccia pipes. By the end of September, 2007 the Kaibab Joint Venture had acquired over 500 lode mining claims. By incurring US \$2,000,000 in exploration expenditures on the Kaibab Joint Venture project and issuing 200,000 common shares to DIR on or before August 31, 2009, Takara will earn a 50% interest in the breccia pipe prospects, as well as in all other breccia pipe prospects acquired by the Kaibab Joint Venture in the intervening time. Upon vesting of its 50% ownership interest in the Kaibab Joint Venture, Takara may elect, at its sole discretion, to increase its interest to 90% by agreeing to carry DIR's pro rata exploration and development costs in the joint venture to commercial production.

The Phase II exploration program for the Kaibab Joint Venture is designed to refine up to 30 geological targets for further testing in subsequent rotary downhole hammer and spot coring campaigns. The ongoing Phase II program is being carried out by a team of field geologists, and includes surface geochemical and geophysical surveys (EM, CSAMT, and possible seismic), archaeological surveys, data analysis and modelling, and operations permitting, all of which will be followed by drill site preparation, drilling, and reclamation work on selected targets. Phase II is budgeted at approximately US\$700,000 in expenditures and is expected to extend to the end of 2008.

In December, 2007, the operator of the Kaibab Joint Venture submitted to the Tucson Ranger District, Kaibab National Forest, a Drilling Plan of Operation. A permit in this regard has not yet been obtained. Since early February, 2008, when the Arizona Coconino County Board of Supervisors unanimously passed a resolution opposing uranium mining in the vicinity of the Grand Canyon and its watersheds, various parties have, more recently become aggressively supportive of that initiative, lobbying to implement a change in the legislation that would have the effect of disallowing mining permits for uranium extraction in several parts of the Grand Canyon region. These matters are currently being investigated, and as at the date hereof, the Company understands that new legislation has not yet been implemented precluding mineral exploration and development in the region.

Basket Lake Uranium Project – Northwestern Ontario. On November 14, 2007, the Company purchased the Basket Lake Project, a property prospective for uranium exploration, located about 60 km southeast of Dryden, Ontario, and comprising 1,184 mineral claims (18,944 ha). The Basket Lake Project was acquired based on a distinct airborne radiometric anomaly that is coincident with a strong, multi-point lake sediment geochemical uranium anomaly defined by a cluster of anomalous values over a 20 x 15 km area. No previous exploration work is known to have been conducted on the Basket Lake Property, and much of the area has been recently logged providing new bedrock exposures and excellent access. Takara purchased a 100% interest in the Basket Lake Project, by paying: (i) reimbursement of staking costs of \$125,000; (ii) \$75,000 in cash on first anniversary of the purchase agreement (due November 14, 2008); and (iii) the issuance of 600,000 common shares, 400,000 of which were issued in December, 2007, and 200,000 are to be issued on the first anniversary of Agreement. Takara paid a finders fee to a party at arms-length of the Company, of 60,000 common shares, and it has reserved, in favour of the vendors, a yellowcake returns royalty equal to 2 ½% on all final uranium contained in the uranium concentrate produced from ores derived from the Property, subject to a buy back of 1% of the royalty for \$1,000,000 at any time.

During the first quarter ended March 31, 2008 the Company commenced Phase I of the exploration program on the Basket Lake Project, located immediately north of the Trans-Canada highway, approximately 65 km east of Dryden, Ontario. The region is relatively under-explored, particularly for uranium, and accordingly, the current program will aim to test regional deposit models that include pegmatite-hosted uranium mineralization having the potential for low-grade, large tonnage, porphyry-style uranium deposits.

Venus Energy Strategic Alliance Since executing a memorandum of understanding in November, 2007 with Aphrodeities Mining (Pty) Limited, a private South African based company engaged in mineral exploration, primarily

coal, the parties have met certain milestones in that certain coal projects have now been identified and are currently being evaluated by Takara's South African based coal advisors.

## Summary of Quarterly Results

|   | First Quarter  | Fourth Quarter    |
|---|----------------|-------------------|
|   | Ended          | Ended             |
|   | March 31, 2008 | December 31, 2007 |
| <b>Total revenues</b>                       | \$Nil          | \$2,285           |
| <b>Net loss</b>                             | \$(128,184)    | \$(1,246,799)     |
| <b>Basic and diluted net loss per share</b> | \$(0.004)      | \$(0.008)         |

Given that the Qualifying Transaction closed during the third quarter ended September 30, 2007, the Quarterly Results are for the ensuing quarters thereafter.

## Financial Condition

### Liquidity and Capital Resources

Working capital as at March 31, 2008 totaled \$1,000,003.

As at March 31, 2008, the Company had sufficient cash liquidity to carry out its exploration commitments through to the end of the third quarter ended September 30, 2008.

As an exploration stage company, with a limited revenue stream, the Company budgets exploration and administrative expenses, and closely monitors its burn rate, investments and cash position.

## Capital Stock Information

### Authorized

The Company is authorized to issue an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares without nominal or par value, issuable in one or more series with restrictions as determined by the Board of Directors. The holders of the common shares of the Company shall be entitled to vote at all shareholder meetings and to receive such dividend as the Board of Directors of the Company in their discretion shall declare.

### Issued and Outstanding

The following details the issued and outstanding securities of the Company as at March 31, 2008:

*Common shares:* 30,083,030

*Warrants:*

| Expiry Date    | Exercise Price | Outstanding             |
|----------------|----------------|-------------------------|
| March 18, 2009 | \$0.50         | 3,488,942               |
| March 18, 2009 | \$0.35         | 697,778                 |
| June 27, 2009  | \$0.25         | 252,139                 |
| <b>TOTAL:</b>  |                | <b><u>4,438,869</u></b> |

### *Incentive Stock Options:*

| <b>Expiring Date</b> | <b>Outstanding</b>      | <b>Exercisable</b>      | <b>Exercise Price</b> |
|----------------------|-------------------------|-------------------------|-----------------------|
| November 7, 2009     | 200,000                 | 100,000                 | \$0.35                |
| September 24, 2012   | 1,750,000               | 1,750,000               | \$0.35                |
| <b>TOTAL:</b>        | <b><u>1,950,000</u></b> | <b><u>1,850,000</u></b> |                       |

### **Contractual Obligations**

#### **Cash Payments due by Period**

| <b>Obligation</b>    | <b>Total</b>             | <b>1 year or less</b> | <b>1 - 2 years</b> | <b>2 - 3 years</b> | <b>3 - 4 years</b> | <b>4 - 5 years</b> |
|----------------------|--------------------------|-----------------------|--------------------|--------------------|--------------------|--------------------|
| Kaibab Joint Venture | \$981,547 <sup>(1)</sup> | \$381,547             | \$639,906          | -                  | -                  | -                  |
| Basket Lake Project  | \$75,000 <sup>(2)</sup>  | \$75,000              | -                  | -                  | -                  | -                  |

Notes: (1) In order to maintain the option to earn a 50% interest in the Kaibab Joint Venture, the Company must incur \$2,000,000 in exploration expenditures over 3 years until August 31, 2009. The period in which the expenditures are to be incurred runs from August to August each year (See Exploration and Expenditures). In the event that the Company elects to discontinue its earn-in obligations in respect of the Kaibab Joint Venture, it shall no longer be obligated to incur the balance of exploration expenditures required, other than short term claims maintenance fees.

(2) Cash portion only. The Basket Lake Project was purchased from arms-length vendors, and accordingly, the Company is obligated to pay the future obligations under the purchase agreement. The total acquisition costs include \$125,000 paid in cash for reimbursement of staking costs, the cash amounts set out in the table above, as well as the issuance of 600,000 common shares, 400,000 of which were issued in December, 2007. The balance of the issuance of 200,000 common shares and the \$75,000 in cash are due on November 14, 2008.

### **Transactions with Related Parties**

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount which is the amount of consideration established and approved by the non-related parties. The related party transactions concluded during the year with directors and companies controlled by them are set out and described on the balance sheet and as stock-based compensation on the statement on earnings and deficit in the unaudited consolidated financial statements for the period ended March 31, 2008.

### **Outlook**

Takara's exploration plans for 2008 have been described in the Exploration Expenditure section of this document. The Company's principal objectives are related to advancing its existing projects to the point warranting a drilling campaign. As far as the strategic alliance with Aphrodeities Mining (Pty) Limited is concerned, the Company will continue to evaluate projects on a case-by-case basis, and will capitalize on any project that shows prospective value-added opportunities. The capital markets for exploration companies have weakened since the summer of 2007, and these markets could remain as such during the time that the Company is focused on expediting the above-mentioned programs.

### **Risks and Uncertainties**

Few projects that are explored result into producing mines, and the exploration and development of mineral projects always involves significant risks over an extended period of time, even where a combination of careful evaluation, experience and knowledge are evident. The long-term profitability of the Company's operations will be in part related to the cost and success of its exploration programs, which may be affected by a number of factors out of the Company's control, such as commodity prices, the availability of skilled personnel, qualified vendors, and critical equipment.

Substantial expenditures are required to establish reserves through drilling, to determine the technical and economic feasibility of mining and extracting them, and, if warranted, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major

mineralized deposit, it is impossible to ensure that the current or proposed exploration programs on properties in which the Company has an interest will result in profitable mining operations.

### **Internal Controls over Financial Reporting**

The Chief Executive Officer and the Chief Financial Officer of the Company are responsible for establishing and maintaining controls and procedures regarding the communication of information about the Company, as well as internal controls over its financial reporting. As required by securities legislation, the Chief Executive Officer and Chief Financial Officer have conducted an evaluation of the controls and procedures regarding communication of information and have concluded that these controls and procedures were effective for the period ended March 31, 2008. In addition, the Chief Executive Officer and the Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or for causing it to be designed under their supervision. During the first quarter of 2008, all existing systems have been documented and inadequacies have been corrected, as necessary. The Chief Executive Officer and the Chief Financial Officer have evaluated whether there were changes to internal control over financial reporting during the period ended March 31, 2008 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. No such changes were identified through their evaluation.

### **Additional Information**

Additional information about Takara Resources Inc., including the annual information form, may be obtained from the Company's website at [www.takararesources.com](http://www.takararesources.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Forward Looking Statement**

“All statements other than those of a historical nature are ‘forward-looking statements’ that may involve a number of unknown risks, uncertainties and other factors. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements.”